

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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R 191650Z MAY 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 314

INFO USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMCONSUL HONG KONG

USLO PEKING

USMISSION NATO

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY TOKYO

CINCPAC

C O N F I D E N T I A L MOSCOW 6882

E.O. 11652 XGDS-4

TAGS: ETRD, EFIN, CH, UR

SUBJECT: REPORTED SOVIET-CHINESE AGREEMENT TO USE CURRENT PRICES
IN TRADE NEGOTIATIONS

REF: A. MOSCOW 4808 (NOTAL) B. USLO PEKING 416 (NOTAL)

C. USLO PEKING 2307 (NOTAL)

1. SWEDISH EMBASSY MOSCOW ECONOMIC OFFICER (PROCECT) WAS
TOLD BY PRC ECONOMIC COUNSELOR ON MAY 16 THAT SOVIET-CHINESE
1975 TRADE AGREEMENT NEGOTIATIONS--UNDERWAY IN MOSCOW FOR MORE
THAN TWO MONTHS--ARE EXPECTED TO DRAG ON FOR UNUSUALLY LONG
TIME THIS YEAR BECAUSE BOTH SIDES HAVE NOW AGREED THAT DELIVERIES
WILL BE VALUED IN CURRENT PRICES. PRC COUNSELOR INDICATED THAT IF
FIXED PRICE STRUCTURE WHICH HAS BEEN FOLLOWED IN PREVIOUS YEARS
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HAD BEEN MAINTAINED, AGREEMENT WOULD PROBABLY BE CONCLUDED

SHORTLY--TOWARD MIDDLE OR END OF THIS MONTH. NOW, HOWEVER, THERE MUST BE FURTHER, PROTRACTED NEGOTIATIONS TO FIX NEW PRICE FOR EACH ITEM ON LIST. PRC COUNSELOR ALSO INDICATED THAT DESPITE RESULTANT INCREASE IN VALUE OF TRADE, ACTUAL COMPOSITION AND VOLUME WILL BE RELATIVELY UNCHANGED FROM 1974--AS INDICATED IN PARA 1 OF REF C.

2. SWEDISH EMBASSY OFFICER SAID IT IS NOT CLEAR WHETHER CHINESE OR SOVIET SIDE INITIATED DEMAND FOR ABOLITION OF FIXED PRICES AND SWITCH TO CURRENT PRICES, AND WE NOTE FROM PARA 3 OF REF C THAT EACH SIDE HAS ALLEGED THAT OTHER WISHED TO MAINAIN OLD SYSTEM. SWITCH TO CURRENT PRICES SHOULD RESULT IN A SHARP JUMP IN VALUE OF TOTAL TRADE TURNOVER FOR 1975, POSSIBLY AS MUCH AS 20-30 PERCENT IF SOVIET ESTIMATES CITED BY USLO PEKING TURN OUT TO BE CORRECT. OVER PAST THREE YEARS TOTAL SOVIET-CHINESE TRADE TURNOVER HAS STAGNATED AT ABOUT 200/210 MILLION RUBLES OR ABOUT US DOLS 286-300 MILLION.

3. IT IS ALSO INTERESTING THAT UPWARD SHIFT IN PRICING SYSTEM FOR SOVIET-CHINESE TRADE FOLLOWS BY ONLY A FEW MONTHS SOVIET-PROMOTED DECISION TO RAISE PRICES IN INTRA-CEMA FOREIGN TRADE. CONSEQUENTLY, SOVIET OFFICIAL TRADE STATISTICS FOR 1975 CAN BE EXPECTED TO SHOW STRONG INCREASES FOR TRADE WITH PRC AS WELL AS FOR TRADE WITH CEMA AREA.
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